

MOTION BY SUPERVISORS DON KNABE AND ZEV YAROSLAVSKY March 23, 2010

Currently, the Auditor-Controller (A-C) bills County departments for providing audit services. Even during good economic times, it is a challenge for departments to budget for planned risk-based audits. Faced with major cutbacks and potential layoffs, some departments have tried to limit or eliminate risk-based audits in key control areas, such as cash, procurement and payroll/personnel, because there is simply no room in their budgets to pay for them.

As a result, many audits are conducted based on willingness to pay rather than risk. Industry standards call for the A-C to take a risk-based approach to evaluate all County contracts and contracting practices, with the highest risk areas being given the highest priority. A fiscally-driven audit plan undermines the goal of ensuring County assets are protected and County policies are enforced.

In June 2009, the Board unanimously approved a motion by Supervisor Knabe directing the CEO to develop a plan to fund audits, including fraud investigations, compliance audits and contract reviews. In response, the CEO allocated \$350,000 to the Provisional Financing Uses budget to fund Board requests, indicating they would continue to explore other possible funding options for audit services. While a good start, the \$350,000 was quickly expended to cover Board-ordered reviews and does not address the systemic issues with the current audit financing structure.

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MOTION

RIDLEY-THOMAS _____

YAROSLAVSKY _____

KNABE _____

ANTONOVICH _____

MOLINA _____

WE, THEREFORE, MOVE that the Board instruct the CEO to replace the current department billing system with a new financing structure for the above-mentioned audit services for inclusion in Final Changes to the FY 2010-2011 budget. The CEO should consider redirecting existing Net County Cost from departments based on prior audit billing history and other factors, if appropriate. In subvented departments, such as the Departments of Children and Family Services, Health and Public Social Services, where costs may be recovered, the Auditor-Controller should continue to bill the departments.

WE FURTHER MOVE the CEO work with the A-C to develop a policy to fund non-routine, Board-priority audits on a pay-as-you-go basis.

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